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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Report on the Activities of the Office of Finance  
for FY 1981

FROM:

Edward L. Sherman  
Director of Finance  
1212 Key Building

EXTENSION

NO.

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

EO/DDA

16 DEC 1981

17 DEC 1981

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For your information.  
This constitutes a  
brief history of OF  
for FY 81  
E.S.S.

Karon,  
Please hold  
until my next  
session with  
D/OF.

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15 December 1981

MEMORANDUM FOR: Deputy Director for Administration

THROUGH: Associate Deputy Director for Administration

FROM: Edward L. Sherman  
Director of Finance

SUBJECT: Report on the Activities of the Office of Finance  
for FY 1981

This memorandum is a report on the activities of the Office of Finance during FY 1981. The following paragraphs set forth under selected functional headings the activities, accomplishments and failures we experienced during the year, and identify specific objectives to be pursued in FY 1982. I will be happy to provide additional data or to discuss any of these matters with you.

Monetary Division

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The increase in clandestine and covert action activities has also created some problems which need attention. At present we are not always informed of operational initiatives as they develop and consequently are not able to assist in the planning of financial support to these operations or to actually provide support in the execution phase. Our capabilities are not being fully and properly utilized and we cannot assure that Agency procedures and controls are being applied. During FY 1982 we plan to take steps to strengthen our effectiveness in this area. We plan to develop and issue guidance on the handling of funds which involve other Federal agencies or foreign governments and we expect to improve communications with operating components.

Monetary Division appears to be adequately staffed for the present and foreseeable future. Their space requirements are adequate, but the efficiency of operations would be improved if they were located at Headquarters.

### Policy and Planning

Accomplishments: During FY 1981 P&P Staff produced over fifty regulation changes and revised a number of sections of the Handbooks supporting the regulations. The Unit made substantial contributions to policy and procedural matters such as overseas incentive pay, dual benefits to employees, alternative work schedules, additional compensation for certain domestic personnel, CORE, paid parking, teleticketing, cash custody, and check cashing procedures. The Unit was instrumental in establishing a procedure for the use of Government Travel Requisitions which saved the Agency over three quarters of a million dollars in FY 1981. The Unit also played a large role in drafting and assisting in the justification before Congress of the FY 1982 Authorization Bill which is expected to provide the DCI with broad authority over travel and allowance matters.

In the systems area, this Staff has been the focal point of a number of systems developments including an experimental field accounting process currently under test   a computer assisted instruction program which is being used for training on specific finance tasks, enhanced security access measures to finance data systems, assistance to the new payroll project, assistance to the LIMS project, development of a new Vendor Invoice Payment and Tracking System, development of a bank account data management system for our Monetary Division, programming an automated calculation of survivor benefits developed by Compensation Division, Retirement Branch, and prioritization of system changes for both the current payroll and general accounting systems. 25X1

Problems: Policy and Planning Staff has been short of personnel for a portion of FY 1981. This was the result of an O/Finance decision which allowed Compensation Division to remain above their approved T.O. This shortage in P&P meant that they could not fulfill their

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third responsibility, performance evaluation. Consequently, we made little progress in this area. This situation is not likely to improve unless P&P receives two additional positions or the new payroll process comes on line and relieves the personnel situation in Compensation Division. This is not expected to happen for several years.

New systems development, including the new payroll system, is a problem of its own. Last year, during the development of the FY 1983 budget, we projected a need for three additional MF positions to permit us to keep pace with anticipated systems development and maintenance needs. Our request lost out at the DDA review. We now project our systems needs at six positions if we are to meet our portion of the Payroll team requirement, be able to push ahead on a new field accounting system, and begin a needed thorough review of general accounting system changes.

An additional area of concern is systems management and security. During this past year we have had several situations which have raised questions about the O/Finance role in data systems management and security regarding financial systems. I am preparing a separate paper identifying these issues. Depending on how these issues are resolved, and how much responsibility is placed on O/Finance, we may have another workforce requirement which we are not presently staffed to meet.

#### Commercial Audit

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Accomplishments: In FY 1981 CSAD reached full strength for the first time in several years. However, eight of twenty-four auditors had less than one year exposure to contract audit and required considerable guidance and supervision. To assist in on-the-job training CSAD acquired a cassette tape course on Cost Accounting Standards produced by a commercial tape company in conjunction with the Defense Contract Audit Agency. The course has been proven popular and effective not only with novice auditors but also as a refresher for experienced auditors. To date thirteen auditors have completed the course. It will be a standard training tool in CSAD.

During FY 1981 there was a particularly difficult audit wherein contractor practices posed a threat to the integrity of the Agency procurement system. This case led to a review by the Inspector General of procedures used to monitor contractor hours at Agency locations. The result was confirmation of the effectiveness and value of CSAD operations.

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Problem: CSAD uses roughly seventy-five percent of the OF travel budget each year. With domestic travel costs rising, budgeting for CSAD travel has become difficult to predict. Our budgets for FY 1982 and FY 1983 look adequate at present. CSAD has one long range problem which is changing audit techniques to meet changes in modern business practices including greater use of automated data handling. This may eventually require additional training for present auditors, and the recruitment of personnel with greater exposure to data processing systems. //

One final problem is the expected expansion of Agency contracts. Major projects such as SAFE are already requiring substantial increases in auditor time and future plans project a sizable increase in such contracts. The NPIC Development Program alone could require four full-time auditors located at plant or record-keeping sites. This requirement will be further developed in FY 1982.

### Career Management

Production: During FY 1981 the Career Management Staff reviewed 210 applicant files, interviewed 51 applicants, counseled 222 MF careerists (17 of them twice), reviewed and processed 487 training requests, prepared 17 award recommendations and ceremonies, negotiated and processed 149 reassignments, and provided support for 22 evaluation and promotion panel meetings.

Accomplishments: During FY 1981 the Career Management Staff was expanded and reorganized along grade level lines. For the first time in the history of this Office a Personnel careerist is now assisting the MF Career Service. The Office policy of offering counseling to every MF careerist at least once every three years is running well ahead of schedule, and great strides have been made in relating counseling sessions to job performance and job satisfaction. Better records are now being kept of counseling sessions and a counseling worksheet has been developed to aid in discussing competitive evaluation rankings. CMS developed and published an OFN addressing the proper completion of PARs by supervisors and reviewers to encourage the addressing of all functional characteristics used in our evaluation system and to encourage employees to actively join in the PAR process. CMS has developed and is in the process of implementing an orientation program for new employees. They have also developed a new training policy and program which is to be implemented shortly.

Problems: During FY 1981 the MF Career Service has continued to suffer from certain deficiencies of management and of resources. We continue to have an evaluation and promotion system which mixes professionals with technicals, generalists with specialists and which thereby confuses career expectations and career management. We need to find a better definition of what kinds of careers we offer in order to better administer training, assignments, counseling

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and evaluations and promotions. A major impediment to a better system continues to be having to manage two hundred people who are outside our command structure. Training, placement, evaluation and control of positions, grades and duties for these people is very difficult at best, and succeeds at all only through the cooperative efforts of the host organizational units to which these personnel are assigned. This system requires many compromises which work to the disadvantage of a rational and effective career system.

We need to develop training programs for beginning technical and clerical personnel, and we need an information system for career management purposes. These are all objectives we intend to move toward in FY 1982.

We have adequate numbers of personnel engaged in the career management function and adequate amounts of space, but the effectiveness of this function would be increased considerably if all or most of Finance functions were located at Headquarters instead of being spread around the Washington metropolitan area.

#### Payroll

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Accomplishments: Compensation Division in conjunction with OTE produced a "time and attendance" training workshop in January 1981 and presented it six times to approximately 250 T&A clerks throughout the Agency. This is the only formal training for T&A clerks who are responsible for the accuracy of T&A reports that drive the pay process. Due to continuing changes in the laws and regulations affecting pay, and the constant turnover of personnel assigned the T&A function, this training program will have to continue indefinitely, or at least until we can devise a way to automate the T&A procedure.

During FY 1981 FEGLI entitlements for employees under age 40 were changed and new options for spouses and dependents were offered. [redacted] forms were involved in the "open season". The process was begun in mid-February and FEGLI changes appeared in paychecks issued on 29 April.

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Changes were made to the pay system to accommodate 5/4-9 biweekly work schedules. Formulation and testing of a full-time equivalency procedure was accomplished. This will allow the Office of Personnel and Comptroller to meet OMB requirements for management and control

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of personnel through FTE procedures using payroll generated data. The CIARDS actuarial evaluation as of 31 December 1978 has been completed in accordance with the CIARDS Act of 1964. This provides the basis for estimates of appropriations for CIARDS. Compensation Division is converting overseas part-time contract employees from the four-week payroll to the biweekly payroll. This will insure that contract employees receive the same pay services and leave accruals as staff employees and should improve the accuracy of pay and leave calculations. In August a pay audit function was added to the supervisory functions performed in the Non-official Cover Branch. This is intended to improve the accuracy and efficiency of these manual operations. In addition, Compensation Division is also testing the automated passage of selected contract employee master file data from PERSIGN to Payroll, the automated payment of premium pay for integers, and the conversion of all payroll master file and interface programs to the security file number identifier.

A new payroll system is under development. This major ODP project is staffed by a combined ODP/OF team. The requirements phase is about to be completed and will require a decision as to how best to design and implement the new system.

Problems: During FY 1981 the principal payroll problem continued to be manpower. Payroll work is at best repetitive, and stressful because of the need for combining accuracy with speed to meet deadlines. Technicians are usually recruited as untrained clericals and learn on the job. This burdens the supervisory levels. The combination of negative factors drives most technicians to accept assignments outside of payroll as soon as such assignments become available. During most of FY 1981 Payroll was kept overstrength by two to four persons by shorting other OF units. Even so, we believe the unit was shorthanded. Work on the new payroll system will require additional personnel as the system development progresses. Compensation Division is also in need of terminals, printers and word processors. At present, we project the need of two positions for the Nonofficial Cover Branch, six positions for the Automated Operations Branch, and one position in the Office of the Chief. These positions would permit keeping pace with the expanding workload and systems requirements and would also permit improved efficiency of operations. The addition of 800 or more positions to the Agency in FY 1983 will increase the stress on the present system if additional positions are not forthcoming, even if other pay requirements do not increase. In FY 1981 Compensation Division spent \$92,500 on overtime. Not all of this is controllable, but at least a major portion of it reflects chronic understaffing. With additional personnel, Compensation Division will need some additional space; and, like most O/F functions, this Division could improve its effectiveness by being located at Headquarters. In lieu of that, additional secure phones are essential.

The payroll system is one of the major Agency data processing systems. As such it is in constant need of system maintenance and enhancement to meet changing requirements. The present interface with ODP needs constant evaluation to insure maximum efficiency from both ODP and OF viewpoints.

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We also need to revalidate the CIARDS data base which we hope to do in FY 1982, and further efforts will be necessary to improve the accuracy of the NOC payroll.

#### Audit and Certification

Production: In FY 1981 Audit and Certification Division processed a total of 125,412 vouchers and accountings of the 130,897 such items on hand or received during the year. Thus, 95.8% of the available workload was processed and settled. Of the items not processed at year end, only four were 120 days old, six were 90 days old, 12 were 60 days old and 82 were 30 days old. These numbers were substantial improvements over FY 1980 when there were 161 items 120 days old, 153 that were 90 days old, 319 were 60 days old and 1,121 were 30 days old at year end.

Accomplishments: During FY 81 the Central Travel Branch has reduced all backlog and is presently processing all travel claims within 30 days. This effort, plus the production indicated above for Commercial Claims Branch National Programs Branch and Special Activities Branch have been accomplished despite a significant decline in overtime in FY 1981 as compared to FY 1980. Overtime in FY 1981 has averaged less than 70 hours per month compared to 300 hours per month in FY 1980.

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Problems: The bill paying and voucher settlement functions are still largely manual functions, some portion of which might be converted to ADP. LIMS is the great hope for applying ADP to vendor and contract payments but LIMS is still some time in the future. In the meantime we will need to maintain production by constantly training and focusing attention on the labor intensive system we now operate. Processing of travel vouchers might also benefit from ADP applications but we are unable to spare anyone to work on this project. We have need for additional terminals, printers and word processors, and could use such

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equipment now. We do not appear to need additional personnel or space for this function, except for a small amount of space for the National Programs Finance Branch in its new [redacted] location. It might also help at some time to relocate our invoice settlement unit to a location closer to the procurement activity of OL.

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### Accounting

Production: During FY 1981 207 thousand vouchers were batch processed into the general accounting system. Thirty-six thousand error corrections were made on this material. The GAS and FRS systems produced 6,000 production type reports for budget and accounting purposes, and 692 special and ad hoc reports.

Accomplishments: During FY 1981 the Division continued to monitor delinquent advances and to urge operating components to resolve these matters. As a result delinquent advances dropped from 447 cases with a value of \$551,162 in October of 1980 to 206 cases with a value of \$301,417 in August of 1981. This is the second year in succession that substantial attention to this issue has led to improved performance.

During the year Accounts Division revised and updated a draft, "CIA Statement of Accounting Principles and Standards" which is currently being reviewed. The original "Statement" was published in April of 1977 and it is believed necessary to review these principles against General Accounting Office standards at least every five years to insure the integrity of the Agency's accounting policies and procedures.

The Agency's Annual Financial Report was significantly streamlined in FY 1981 by removing much of the historical data which was merely repetitious from one year to the next. The FY 1980 report was the first to be published in the new format.

The Division assisted in the development and implementation of various financial procedures assisting other operating components including a modified property procurement accounting procedure for a DDO component and development of a procedure to facilitate a transfer of budget authority from the IC Staff to the Agency. It was also a significant contributor to development of the new Logistics Information Management System and developed a three-day GAS/FRS Workshop which is being taught by Accounts Division personnel under OTE auspices.

Problems: Accounts Division and the accounting function is singularly free of serious day-to-day problems, but much of the present work of the Division is the result of living with an accounting system which is beginning to fall behind the present state of the art of automated data systems. The nature of accounting, with its emphasis as a control mechanism, has not allowed it to move into automated data processing as quickly as other data systems. There are still legal requirements which do

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not yet recognize the advantages of technology, but these changes are beginning to take place in Government and it is necessary for us to take advantage of technological advances as quickly as possible. The task for Accounts Division in FY 1982 and beyond is to continue the strong management of cumbersome people intensive systems and at the same time do the planning necessary to take the earliest advantage of automation and expanded communications capabilities. Space and manpower for this Division appear to be adequate for present operations. We are short of personnel to plan for improvements. Nevertheless, we hope to make improvements to GAS in 1982 including adding a commitments capability and allowing user input of obligations.

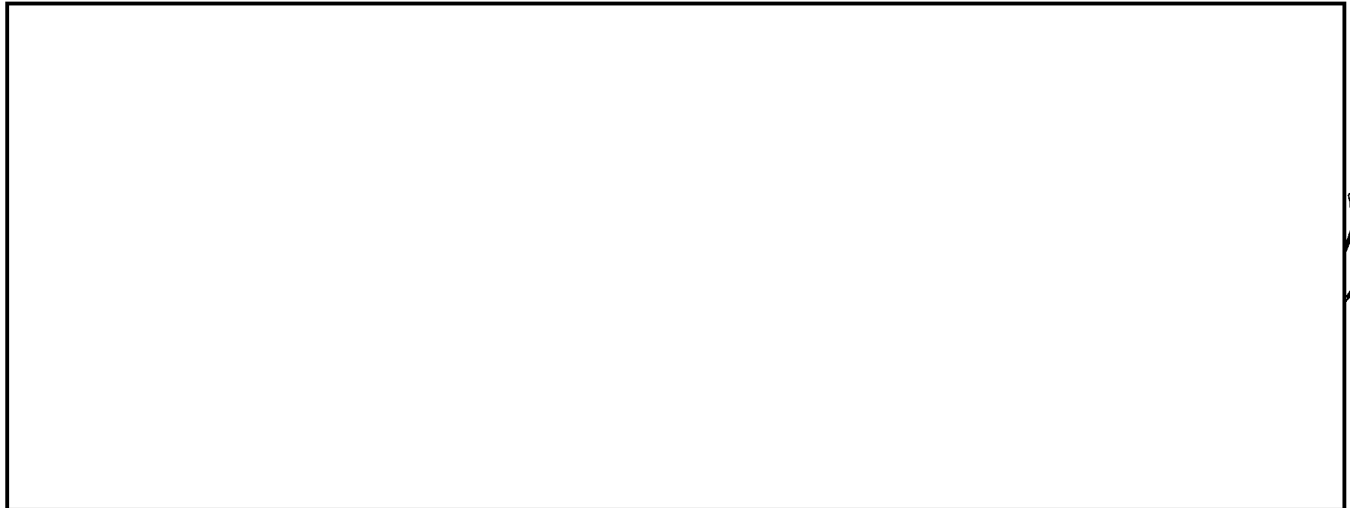
Liaison

Production: During FY 1981 Liaison Staff arranged for received

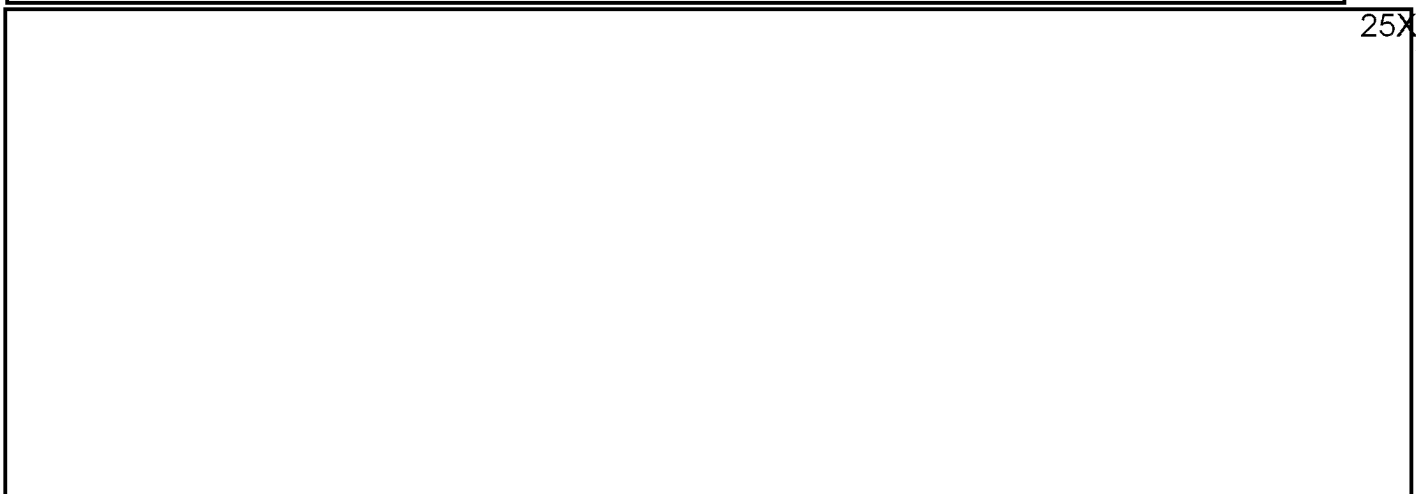


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Agencies. Workload was up 10 to 30 percent in all categories except incoming billings.



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Budget and Finance Functions Outside Office of Finance

Accomplishments: In FY 1981 the B&F units outside Office of Finance in addition to their regular duties made extra efforts to close out delinquent advances. This effort resulted in the second straight annual drop in such advances. In addition, they were asked to make use of Government Travel Requests whenever possible, and this also proved successful.

Problems: The existence of [ ] MF positions outside of Office of Finance continues to put certain burdens on O/Finance's ability to properly manage these people. Nevertheless, it is our intention to make additional attempts in FY 1982 to strengthen our control over these people and the financial and budgetary systems they service. We expect to increase our oversight of these functions by spending more time communicating with and advising outside units. We also hope to enlist Directorate level B&F personnel in the evaluation and management of Office and Division units. In short, we are going to assume greater responsibility on a day-to-day basis than we have so far. This is the only way to insure that we are carrying out the O/Finance responsibility for these systems and people short of putting the positions back in O/Finance. I am confident that doing this will improve financial services and financial controls throughout the Agency without creating any significant problems. ✓

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Edward L. Sherman

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